

## Agenda Item 2

### **Consideration of Performance Funding Ratings and Appeals for 2003-04 to impact Fiscal Year 2004-05 Allocations**

Staff's recommendations for ratings for the 2003-04 performance year are attached in the "report card" format accompanied by a summary of overall institutional performance. (See **Attachments 2b and 2c**) All scoring recommendations, except one, reflect a comparison of performance against the approved standards and an assignment of scores as indicated. The one exception involves an appeal of Northeastern Technical College for special consideration in the scoring for Indicator 1D/E (i.e., the campus-specific indicator related to the institution's strategic plan) in light of special circumstances affecting the institution's performance in the current year. Staff's recommendation for this appealed case is denoted in Northeastern's report by a footnote and with the letter "A" displayed next to the indicator score. An explanation of staff's recommendation and a copy of the institution's appeal are provided in **Attachment 2a**.

At its meeting on May 6, the Finance and Facilities Committee will consider staff's recommendations for institutional performance ratings for the current year. As has been the case in the past, the Committee will consider separately staff's recommendations for those indicators that have been appealed and those indicators for which scores have not been questioned or appealed by institutions. Institutions that have submitted an appeal are provided the opportunity to present their case directly to the Committee. After considering the appealed case, the Committee will consider staff's recommendations for the performance ratings. The Finance and Facilities Committee's recommendations will be considered by the full Commission at its meeting on June 3, 2004.

### **PERFORMANCE RATING FORMAT**

Each institution report is 4 pages in length with a format similar to that used for the past several years.

- Page 1 is a summary display of the institution's overall performance and contains data or "quick facts" about the institution generally.
- Pages 2-4 provide an indicator-by-indicator report of performance and scores and a summary of overall performance. Indicators are listed by "Critical Success Factor." Only indicators yielding numeric data and scores are displayed in detail, and the information displayed includes: the indicator reference number and title, the timeframe for the current year data, three years of historical data, current year performance data, the standard applied to derive the score, information regarding the improvement factor, and the staff recommended score for each subpart measure and for each indicator. Applicable notes regarding scored indicators and other indicators that are not scored numerically are provided for each "Critical Success Factor." A summary of the institution's overall performance is found on page 4.

## **RATINGS RECOMMENDATIONS: A REVIEW OF THE PROCESS AND SUMMARY**

In the current year and for the past two, institutions' ratings have been based on 13 or 14 indicators that were identified as best reflective of sector missions from among the 37 indicators used in the past. A collaborative process between CHE and the institutions was instrumental in identifying the indicators that now contribute to institutional scores. The applied scored indicators vary across and within sectors, and definitions for a particular indicator may also vary across and within sectors. These differences are footnoted in the ratings reports. A few examples include: indicators (6AB, 7A, 9A) defined specifically for MUSC as a free-standing graduate health sciences institution; an indicator (4A/B) defined differently for each sector and in consultation with each sector focusing on collaboration and cooperation; an indicator (7A) defined differently for two- and four-year institutions, and an indicator (1D/E) specific to each institution that is defined by the institution focusing on institutional and/or state-wide goals.

### **Data Collection and the Process for Developing Scoring Recommendations**

During fall 2003 and early spring 2004, data for indicators are gathered from CHEMIS information or reports from institutions. Timeframes of performance data for indicators typically represent the most recent fall data for academic indicators (Fall 2003 for this year) or the most recent-ended Fiscal Year for financial indicators (2002-03 for this year). All performance data by indicator and institution that were used in determining this year's results are accessible at [http://www.che.sc.gov/Finance/Perf\\_Fund/Yr8Data.htm](http://www.che.sc.gov/Finance/Perf_Fund/Yr8Data.htm). Guidance for the performance funding system and details related to measurement is accessible at [http://www.che.sc.gov/Finance/Perf\\_Fund/Perform\\_F.htm](http://www.che.sc.gov/Finance/Perf_Fund/Perform_F.htm).

Once the data are collected, performance on each indicator is determined by comparing the data to a standard that was approved and set in terms of a range for "Achieves." Institutions receive 2 points for being at or within the designated "Achieves" range, 1 for being out of range in the undesired direction, and 3 for being out of the range in the desired direction. Additionally, for some indicators, institutions scoring 1 or 2 points may be eligible for an additional 0.5 points if their performance is better than their past performance by a specified percentage of that performance. An institution's overall performance is then determined by computing the average of the scores for each indicator. It is the average score that is used in placing an institution in one of five overall performance categories (*Substantially Exceeds*, *Exceeds*, *Achieves*, *Does Not Achieve*, and *Substantially Does Not Achieve*). The category is considered the institution's annual performance and is ultimately used in funding determinations based on an allocation plan adopted by the Commission. The ranges used in determining the overall performance category for an institution have been in effect since 1998-99.

This year represents the third year in which common standards for institutions within sectors based on national, state or peer data, as available, have been in effect. The standards in effect this year were initially approved in 2001 and then reviewed and re-approved in 2003. In determining standards, data are reviewed and a rationale or methodology is determined for establishing a range. As a result, the standards used for a particular indicator vary across and within sectors. For example, in the research sector, peer data for a particular institution in the sector, when available, are used in considering standards for each individual research institution. Therefore, although a similar methodology may have been used to determine standards for an indicator (e.g., being within a certain percentage of a salary average for indicator 2D), each research institution may have different standards on the same indicator because of differences in

peer data considered for each. In other sectors, peer data, when available, are aggregated and considered in establishing ranges for the sector institutions as a whole.

The process for developing the performance rating recommendations has been consistent for the past six years. Preliminary information is distributed to each institution for review. Data concerns or questions are resolved, and institutions are provided the opportunity to appeal in writing any special considerations they wish the Commission to consider.

This year, each institution received a preliminary report of its ratings recommendations on April 2, 2004. As indicated previously, these recommendations were developed by comparing performance against the pre-determined standards. Institutions were asked to respond in writing, with adequate supporting documentation, by April 16, if they wished to appeal a score for special consideration. Only one institution, Northeastern Technical College, submitted written concerns regarding its score on indicator 1D/E. In comparison to past years, there were 2 appealed indicators last year and 7 in the year before that one. Details regarding this year's appealed case are found in Attachment 2a. Staff also responded to issues raised either internally or externally from institutions as scores and data are reviewed. Staff reviewed such concerns across 8 institutions and 7 indicators and made corrections to 14 data points. Only 6 of the corrections resulted in revised indicator scores and none led to an increased overall score.

### **Summary of Overall Scores for 2003-04**

The attached recommendations, which include staff's recommendations for the appealed indicator, reflect an average score for all institutions of 87% or 2.61. Again this year, institutional performance fell into one of the top three of the five performance categories. Across the 33 institutions, 3 scored "Substantially Exceeds" (1 research, 1 teaching, 1 technical college); 15 scored "Exceeds" (2 research, 2 teaching, 2 regional and 9 technical); and 15 "Achieves" (7 teaching, 2 regional, and 6 technical). In comparison with last year, the average score for all institutions was 87% or 2.61 with 3 scoring "Substantially Exceeds" (2 research, 1 teaching); 16 "Exceeds" (1 research, 2 teaching, 1 regional and 12 technical); and 14 "Achieves" (7 teaching, 3 regional, and 4 technical). The scale for each overall performance range is presented on the first page of each institution's report.

### **Staff Recommendations:**

- 1) **Staff Recommendation for the Appealed Case:** Staff recommends that the Committee accept the appeal of Northeastern Technical College and assign a score of "2" rather than "1" on Indicator 1D/E. This recommended change in score for the institution does not change the institution's overall performance level of "Achieves" for the 2003-04 performance year. (See Attachment 2a for a detailed explanation)
- 2) **Staff Recommendation for the Indicator & Overall Scores:** Staff recommends that the Finance and Facilities Committee approve for consideration of the Commission the indicator and overall performance ratings as indicated in the attached materials including the Committee's recommended treatment of the appealed case.

### **Attachments:**

- a. Explanation of Appealed Case
- b. Summary of Overall Institutional Performance for 2003-04
- c. Institutional Performance Reports for 2003-04

## **PERFORMANCE YEAR 2003-04, SCORING APPEAL**

Preliminary scoring information was provided to each institution on April 2, 2004. It was requested that any institution wishing to appeal scoring based on special considerations submit its appeal in writing by April 16, 2004. As of the 16<sup>th</sup>, the only appeal received was from Northeastern Technical College. The appeal was submitted on April 13.

### **Explanation of Northeastern's Appeal**

Dr. James Williamson, President of Northeastern Technical College, has requested that the Commission consider an appeal of the college's performance score on Indicator 1D/E, a combination of 1D, *Adoption of a Strategic Plan to Support the Mission Statement*, and 1E, *Attainment of Goals of the Strategic Plan*, to provide for a campus-specific indicator related to each institution's strategic plan. The text of the written appeal received from Northeastern Technical College is presented on the following page.

Indicator 1D/E is an institution-specific indicator in which the institution is measured on its performance on an approved goal and standards selected by the institution and approved by the Commission. For this indicator, institutions are being measured in the current year on performance in the third and final year of the goal selected. Northeastern has scored "1" based on a comparison of institution's actual performance to the approved standard. The goal for Northeastern Technical College was to increase the participation in their "off-campus" programs. The range for a score of "2," Achieves, was to increase participation by 3 to 5% over the previous year. The actual performance was 10% below the previous year.

Northeastern Technical College's basis for an appeal and subsequent score change is contained in the attached letter. In short, the college contends that unanticipated delays in construction of new facilities and the loss of access to existing facilities which were temporary housing for off-campus instruction made it impossible for them to maintain past levels of off-campus instruction, let alone increase them. The construction delays were largely due to last year's heavy rainfall. As a result of these delays, the distance education capacity of the campus was reduced by 46% for an entire semester.

The staff is sympathetic to the argument made by Northeastern Technical College. The construction of new off-campus education facilities reflects the college's commitment to provide services as broadly as possible in its service area. The fact that unavoidable delays in the construction of these facilities led to an actual drop in participation should not be taken as an indication of lack of commitment by the college to its off-campus programs.

*Staff is recommending that the Finance and Facilities Committee accept the appeal of Northeastern Technical College and assign a score of "2" rather than "1" on Indicator 1D/E. This recommended change in score for the institution does not change the institution's overall performance level of "Achieves" for the 2003-04 performance year.*

**Text of Letter of Appeal Received from Northeastern Technical College:**

Northeastern Technical College wishes to appeal its score for Indicators 1D&E as listed on the preliminary Year Eight report.

NETC places a great deal of emphasis on developing enhanced access to educational programs and services for the residents of its rural service area, and this emphasis is reflected in its three-year goal for Indicators 1D and E. The specific goal for FY 03 was to “develop remaining extension programs; coordinate courses and services among the three communities and the main campus.” The target for “achieves” was defined as an annual increase in off-campus enrollment of at least 3% but less than 5%.

Northeastern Technical College experienced a reduction of ten percent (10%) in off-campus enrollment during the one-year period in question. This reduction, which followed an increase of 19 percent during the previous reporting period, was due to a number of external factors, detailed below.

Off-campus enrollment declined during Year 8 due to several factors beyond the college’s control. The college was constructing three community campuses simultaneously during this time period, and all three experienced significant delays due to weather and technical difficulties. During the interval before actual completion of the facilities, several temporary instructional sites became unavailable. Instructional equipment had to be moved out of these locations before the new campuses were available, making it impossible to offer many courses which were available during the previous reporting period.

The following figures demonstrate the magnitude of the problem:

Under the arrangements in effect before the construction process began, the college had 60 seats available in each of the three target communities (Dillon, Bennettsville and Pageland). These seats were provided by public schools and community organizations, and the college’s distance learning equipment had been installed in these locations.

During the last phase of construction, the distance learning equipment was removed and the scheduling arrangements for half of these seats were cancelled in anticipation of 65 instructional spaces which would become available at each of the new campuses. When construction was not completed on schedule, these instructional seats could not be rescheduled on short notice, resulting in a deficit of 30 seats in each community (or 46% of capacity.) This impact of this reduced capacity was especially severe because distance learning technology was not available, making it impossible to offer the distance learning classes which make up about 60% of NETC’s courses offered away from the main campus.

Thus, for at least half of the past year, NETC’s off-campus instructional capacity was significantly hindered by lack of facilities. With the completion of the community campuses, instructional capacity has been restored.

The college maintains that these technical delays artificially depressed off-campus enrollment statistics for Year 8. We respectfully request that the college not be penalized for these uncontrollable factors, and that the Commission make an appropriate adjustment in our score for this indicator.

We would welcome an opportunity to discuss this issue further with CHE staff and to present our appeal at the appropriate time and place. Thank you very much for your consideration.

Dr. James C. Williamson  
President